

Message Text

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ACTION EB-08

INFO OCT-01 EA-09 ISO-00 USIA-15 MMO-04 /037 W

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R 117079Z APR 77

FM AMEMBASSY JAKARTA

TO USDOC WASH DC

INFO SECSTATE WASHDC 0346

AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMCONSUL MEDAN

AMCONSUL SURABAYA

UNCLAS SECTION 1 OF 2 JAKARTA 4534

E.O. 11652: N/A

TAGS: BEXP,ID

SUBJ: COUNTRY COMMERCIAL PROGRAM--PRELIMINARY INPUTS FY 1979

REF: A. STATE 44899, B. 76 JAKARTA A-179, 23 NOV.1976(NOTAL)

1. LISTED BELOW ARE THE CCAG'S PROPOSED CAMPAIGN AND OTHER POST SPECIAL ACTIVITIES FOR THE FY 79 CCP, AS REQUESTED IN REF A.

2. A NUMBER OF EVENTS ARE ANTICIPATED WHICH COULD SIGNIFICANTLY ALTER OUR PROJECTION AND THE OPPORTUNITIES THEMSELVES;E.G., RESULTS OF AGRIQUIP 77, EXPLORATORY FY 77 AND 78 WOOD PROCESSING, MATERIALS HANDLING AND TEXTILE MACHINERY CAMPAIGNS, RESTRAINTS IN THE GOI INVESTMENT PROGRAM THROUGH THE END OF THE DECADE BECAUSE OF REQUIRED PERTAMINA DEBT REPAYMENT, AND THE EMERGINH SHAPE OF THE NEW FIVE-YEAR PLAN,WHICH COMMEN CES IN MARCH 1979.

3. WE CONSIDERED INCLUDING TOHER CAPMAIGNS SUCH AS ELECTRICAL POWER AND ENGINES AND MECHANICAL POWERTHAT WERE MENTIONED IN OUR BEST PROSPECTS REPORT(REFAIR B). HOWEVER, THE CCAG

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JUDGED THAT SUCCESSFUL SALES EFFORTS IN THOSE TWO SECTORS WOULD DEPEND LESS ON PROMOTION ACTIVITIES THAN ON THE ABILITY TO OFFER COMPETITIVE FINANCING IN A BIDDING PACKAGE. SUCH FINANCING IS NOT ALWAYS AVAILABLE FROM US SOURCES ALTHOUGH JAPANESE, FRENCH, CANADIAN AND OTHER COMPETITIVORS ARE CONSISTENTLY ABLE TO ARRANGE HIGHLY COMPETITIVE FINANCING.

4. OUR RECOMMENDATIONS FOR CAMPAIGNS ARE AS FOLLOWS:

A. CAMPAIGN #1, PRIORITY NO.1, TITLE: WOOD PROCESSING EQUIPMENT. DESCRIPTION: INDONESIA HAS THE MOST EXTENSIVE TROPICAL HARDWOOD STANDS REMAINING IN THE WORLD, AND GOVERNMENT POLICIES ARE MEANT TO ENCOURAGE INDUSTRIALIZATION OF THE FORESTRY SECTOR. NINETEEN SEVENTY-SIX WOOD SECTOR IMPORTS SURPASSED \$750 MILLION. OVER 90 PERCENT OF CURRENT EXPORTS ARE LOGS. INDONESIAN AUTHORITIES SEEK TO HAVE DOMESTIC PROCESSING OF AT LEAST 30 PERCENT OF IT BY 1979. TOTAL EQUIPMENT IMPORTS FOR THIS MARKET IN 1976 WERE ESTIMATED AT \$23 MILLION, OF WHICH AMERICAN MANUFACTURERS REPRESENTED 12 PERCENT. MARKET RESEARCH ESTIMATES THAT THIS TOTAL MARKET WILL EXPAND BY 1980 TO NEARLY \$60 MILLION.

B. CAMPAIGN #2, PRIORITY NO.2, TITLE: MATERIALS HANDLING (INCLUDING MINING) EQUIPMENT (MHE). DESCRIPTION: MHE LIES AT THE CORE OF MUCH FUTURE INDONESIAN NATIONAL DEVELOPMENT. THERE ARE OVER \$10 BILLION WORTH OF MAJOR BUSINESS, INDUSTRIAL AND MINING PROJECTS PLANNED IN THE FORESEEABLE FUTURE, ALL OF WHICH WILL PRODUCE PRODUCTS REQUIRING SUBSTANTIAL MATERIALS HANDLING. THE MINING SECTOR LOOKS ESPECIALLY PROMISING AS IT APPEARS THE LONG-AWAITED NEW MODEL MINING CONTRACT HAS BEEN APPROVED. TOTAL TONNAGE OF ALL PRODUCTS HANDLED IN INDONESIA IS ROUGHLY EXPECTED TO DOUBT BETWEEN 1975 AND 1980. BETWEEN 1976 AND 1980 MARKET RESEARCH ESTI-

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MATES THE COMPOUNDED GROWTH RATE IN MHE SHOULD REACH 10 PERCENT ANNUALLY. TOTAL 1976 CONSTRUCTION EQUIPMENT IMPORTS WERE ESTIMATED TO HAVE REACHED \$159.2 MILLION.

C. CAMPAIGN #3, PRIORITY NO.3, TITLE: INCREASE AMERICAN SALES IN THE EXPANDING BUSINESS EQUIPMENT MARKET. DESCRIPTION: THE FUTURE LOOKS STRONG FOR BUSINESS EQUIPMENT THAT SIMPLIFIES PROCEDURES, REDUCES ERRORS AND IS EASY TO OPERATE. RELIABILITY, SERVICE, AND PROVISIONS FOR TRAINING ARE ALSO IMPORTANT TO PROSPECTIVE BUYERS. US EQUIPMENT HAS A LONG-STANDING REPUTATION FOR EXCELLENCE AND AMERICAN SUPPLIERS ARE RESPECTED FOR HONESTY, FAIRNESS AND TECHNICAL AND MANAGERIAL EXPERTISE. TOTAL SALES OF BUSINESS EQUIPMENT AND SYSTEMS IN 1975 WAS \$23.5 MILLION. THIS SECTOR HAD EXPERIENCED AN 18 PERCENT AVERAGE ANNUAL INCREASE BETWEEN 1973 AND 1976. MARKET RESEARCH ESTIMATES THAT THE TOTAL MARKET SHOULD RISE TO \$54.4

MILLKON BY 1980.

5. OUR RECOMMENDATIONS FOR OTHER SPECIAL POST EFFORTS
ARE AS FOLLOWS:

A. ACTIVITY NO.1, PRIORITY NO.4, TITLE: MAJOR
PROJECTS, DESCRIPTION: AS TARGET OF OPPORTUNITY PRE-
SENT THEMSELVES, IDENTIFY MAJOR PRODUCTS FOR PRIORITY
ACTION AND POSSIBLE DEVELOPMENT INTO FUTURE CCP
CAMPAIGNS. THESE WOULD INCLUDE GOI PROGRAMS AND PROJECTS
UNDER REPELITA II AND III, FUNDED BY GOI,IBRD,ADB
OR BILATERAL DONORS PERMITTING UNTIED PROCUREMENT.

B. ACTIVITY NO.2, PRIORITY NO.5, TITLE: AGRI-
BUSINESS PROMOTION. COMMENT: THE EXACT DIMENSIONS
OF THIS ACTIVITY ARE NOT CLEAR AT THIS TIME. WE MUST
AWAIT THE RESULTS OF AGRIQUIP 77 AS WELL AS STUDY THE
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PRIORITIES OF THE NEW FIVE-YEAR PLAN,WHCIH IS
SCHEDULED TO START IN MARCH 1979.
HOWEVER, THE EQUIPMENT MARKET IS AT-
TRACTIVE. THE INDONESIAN MARKET FOR AGRICULTURAL
AND FOOD PROCESSING AND PACKAGING EQUIPMENT WAS
\$24.3 MILLION IN 1973 AND \$50.4 MILLION IN 1975. THIS
MARKET IS ESTIMATED BY MARKET RESEARCH TO GROW AT 14
PERCENT PER YEAR TO REACH \$99.6 MILLION BY 1980. MARKET
REQUIREMENTS ARE MET ALMOST ENTIRELY BY IMPORTS. US
MARKET SHARE IN 1973 WAS 22 PERCENT, IN 1975, 19 PER-
CENT, AND IS ESTIMATED TO DROP TO 13 PERCENT BY 1980.
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ACTION EB-08

INFO OCT-01 EA-09 ISO-00 USIA-15 MMO-04 /037 W
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FM AMEMBASSY JAKARTA
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INFO SECSTATE WASHDC 0347
AMEMBASSY BANGKOK
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UNCLAS SECTION 2 OF 2 JAKARTA 4534

E.O. 11652: N/A
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C. ACTIVITY NO.3, PRIORITY NO.6, TITLE: INVEST-
MENT PROTECTION/FACILITATION.DESCRPTION: SOME
THREE HUNDRED US FIRMS HAVE ESTABLISHED OFFICES IN
INDONESIA. IN THE NON-OIL AND OIL SECTOR, FOREIGN
INVESTMENT INTEREST AHS DECLINED, REFLECTING CON-
TINUING UNCERTAINTY IN THE INDONESIAN INVESTMENT
CLIMATE. DESPITE THE UNCERTAINTIES, THE INDONESIAN
GOVERNMENT REALIZES ITS NEED FOR FOREIGN PRIVATE
INVESTMENT CAPITAL TO IMPLEMENT DEVELOPMENT PLANS
AND THERE ARE CONTINUING OPPORTUNITIES FOR PROFITABLE
INVESTMENT.

D. ACTIVITY NO.4, PRIORITY NO.7, TITLE: TRADE
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POLICY REPORTING/NEGOTIATION/REPRESENTATION. COMMENT:
THE ISSUES PERTAINING TO BILATERAL AND ESPECIALLY
MULTILATERAL POLICY MATTERS AFFECTING TRADE ARE AN
INCREASINGLY IMPORTANT ASPECT OF OUR RELATINS WITH
INDONESIA. THE GOI'S INCREASING INTEREST IN THE
NORTH-SOUTH DIALOGUE,ASEAN,UNCTAD, AND INDIVIDUAL
COMMODITY QUESTIONS IS BECOMING AN IMPORTANT PART OF
OUR OVERALL BILATERAL RELAITONS.

E. ACTIVITY NO.5, PRIORITY NO.8, TITLE: AMCHAM
INDONESIA. DESCRIPTION: THE EMBASSY WORKS COLSELY
WITH AMCHAM IN A NUMBER OF LEVELS INCULDING AT ITS
BOARD MEETINGS, IN AMCHAM COMMITTEE MEETINGS, DURING
LUNCHEON MEETINGS,AND AT THE BIMONTHLY MEETINGS WITH
THE AMBASSADOR. WE CONSIDER THIS RELATIONSHIP
MUTUALLY VALUABLE AND AN IMPORTANT ASPECT OF THE MIS-
SION'S FUNCTION TO ENCURAGE AMERICAN SALES AND IN-
VESTMENT IN INDONESIA.

F. ACTIVITY NO.6, PRIORITY NO.9, TITLE:
TRADE PROMOTION EVENT SUPPORT. COMMENT: WE WILL
CONTINUE TO GIVE TRADE PROMOTION SUPPORT TO USRTC
EXHIBITS IN SINGAPORE.

G. ACTIVITY NO.7, PRIORITY NO.10, TITLE:
COMMERCIAL NEWSLETTER. COMMENT: WE WILL CONTINUE
TO PUBLISH A HIGH QUALITY COMMERCIAL NEWSLETTER USING
BOTH LOCAL MATERIALS AND THE RESOURCES OF USIS MANILA.
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Message Attributes

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